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Title: Fulton close to securing ethanol plant

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Construction is expected to start in May on a \$95 million ethanol plant in Fulton Industrial Park that would start production in late July 2007 and employ about 50 people.

Bluegrass BioEnergy LLC will produce 55 million gallons of ethanol a year, President Jim Allen said. "This plant is being built and laid out to where it could be expanded to 100 million gallons, which we'll probably do in around three years."

Allen, a Milan, Tenn., businessman, said the design will include potentially adding an adjacent 20-million-gallon biodiesel plant. If that happens, and the ethanol plant reaches 100 million gallons, the work force would probably be expanded to 80 to 90 jobs, he said.

"We're a couple of weeks away from securing senior loans on this thing to start construction," he said. "We have construction and marketing companies lined up and the property purchased."

On Friday, Bluegrass closed on the last parcel of about 130 acres purchased in the industrial park, off the Purchase Parkway and Ky. 307. Allen said the company paid about \$3,200 acre, or \$416,000 total.

Penny Morgan, Fulton County economic development director, said the city of Fulton will add utilities for the plant, which will burn a huge amount of natural gas. Morgan said the purchase took all the land in the park, making it necessary to get options on adjacent land for other industrial development.

"Every indication we have is it's a go, but these things just take time," she said. "We're excited about the possibilities of the ethanol plant, that they've bought the park and that improvements are being made to it."

Lurgi PSI of Memphis, Tenn., will build the plant and supply part of the equity. A subsidiary of German firm Lurgi AG, the company specializes in construction of ethanol and biodiesel plants.

Marketing will be done by Noble Americas Corp., one of the world's largest ethanol promoters. Noble will also a small piece of the ownership.

A Kentucky-based firm has agreed to own half the plant, but for competitive reasons Allen declined to identify the company until financing is secured.

Allen said \$49.5 million of the plant cost will be financed, and several large lenders are interested. Should there be a problem with lending, which he does not anticipate, two venture capital firms will provide the funding, Allen said.

Bluegrass was approved in March for \$1.5 million in Kentucky Rural Economic Development Act tax incentives over 15 years, and has applied for a \$1 million loan through the Kentucky Department of Agriculture. Allen said \$100,000 of the loan would be forgiven each year over a 10-year period.

He said the Tennessee Valley Authority has agreed to provide a \$150,000 grant at closing, as well as backing for a \$500,000 low-interest loan.

The city of Fulton is exempting property taxes for 15 years, and Bluegrass has agreed to pay \$360,000 for a vacant spec building in the park, Allen said.

Allen said the Kentucky investment firm looked at many sites and picked the Fulton park largely because of its location and transportation service. The land is served by trucking firms and Canadian National Railroad, which links Canada with the South, the hub of the nation's economic growth, he said.

Allen said the plant will use about 19 million bushels of corn per year, which is only about 14 percent of the corn grown within a 50-mile radius. He said he is unconcerned about competition with three other existing or planned ethanol plants in the region because of the exploding demand for ethanol.

"We're not going to even come close to using up the corn in this area with these four plants," he said.

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